

BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001

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POSTAL RATE AND FEE CHANGES, 1997  
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POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY  
Docket No. R97-1

THE DIRECT MARKETING ASSOCIATION, INC.'S FOURTH SET OF  
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS DIRECTED  
TO USPS WITNESS TAYMAN  
(DMA/USPS-T9-26-29)

Pursuant to Sections 25 and 26 of the Commission's Rules of Practice, the Direct Marketing Association, Inc. hereby submits the attached fourth set of interrogatories and requests for production of documents to USPS witness Tayman (DMA/USPS-T9-26-29). If the designated witness is unable to respond to any interrogatory, we request a response by some other qualified witness.

Respectfully submitted,

  
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September 3, 1997

**Witness Tayman (USPS-T-9)**

DMA/USPS-T9-26. Please refer to your response to OCA/USPS-T9-12 where you state "The Postal Service remains satisfied with its Docket R97-1 revenue requirement and believes that no adjustments are necessary."

- a. If FY 1997 actual net income is \$1 billion greater than was estimated by the roll forward model, would you still believe that no adjustments are necessary?
- b. If FY 1997 actual net income is \$2 billion greater than was estimated by the roll forward model, would you still believe that no adjustments are necessary?
- c. How much greater would FY 1997 actual net income have to be than the income estimated by the roll forward model before adjustments would be necessary to the Postal Service's R97-1 revenue requirement?

DMA/USPS-T9-27. Please refer to your response ANM/USPS-T9-1(e) where you state that "[t]he Postal Service's latest estimate for FY 1997 is a net income of between \$900 million and \$1.0 billion" and the attachment to ANM/USPS-T9-1(e) where you provide the "major expected causes of the difference" between the FY 97 net income estimate of \$636 million from your direct testimony and the "latest estimate."

- a. In the attachment to ANM/USPS-T9-1(e), you state that between \$250 million and \$350 million increase in FY 97 net revenue is due to "[n]on personnel costs mainly related to programs less than planned."
  - i) Please explain which "non personnel costs" within which programs are less than previously estimated and the revised estimated cost savings for each item.
  - ii) Please explain why these "non personnel costs" are less than previously estimated (e.g., lower than expected inflation, higher productivity).
  - ii) Please explain why you have included two "scenarios" for your revised FY 97 net income estimate and which scenario you believe to be more accurate.
- b. Please confirm that if all of the roll forward adjustments are made from the "latest estimate" of FY 97 net income as compared to the net income estimate from

your direct testimony, then FY 98 net income would be higher than that estimated in the Docket R97-1 filing.

- c. Based on the fact that costs related to workers' compensation are lower than originally projected for FY 97, do you believe that estimates for such costs similarly will be smaller than projected for FY 98? If "yes," please provide revised estimates for workers' compensation expenses for FY 98.
- d. Based on the fact that non personnel costs are lower than originally projected for FY 97, do you believe that estimates for such costs similarly will be smaller than projected for FY 98 ? If "yes," please provide revised estimates for non-personnel costs for FY 98.
- e. Please list and describe any other causes (including revised revenue or cost projections) that will increase FY 98 net income over that estimated in the Docket R97-1 filing.
- f. Please list and describe any reasons other than those listed in the attachment to ANM/USPS-T9-1(e) (e.g., better-than anticipated productivity improvement, less than expected expenses for additional "Other Programs," lower inflation than projected) why the roll forward model projected a net income about \$300 million less than the Postal Service's "latest estimate." Please quantify the relative importance of each reason listed above.
- g. Does the Postal Service have revised projected total cost and total revenue estimates for FY97 which have caused the increase in the Postal Service's estimate for net income for FY97?
- h. If your response to sub-part g. is "yes," please compare the revised total cost and revenue estimates for FY97 with the roll forward estimate as calculated in LR-H-12.
- i. Please provide the increase in net revenue to the Postal Service for FY97 due to the increased mail volume processed during the recent United Parcel Service labor strike.
- j. Please confirm that the increased revenue stated in your response to sub-part i. was not included in your revised estimate of FY97 net income in your response to ANM/USPS-T9-1(e).

DMA/USPS-T9-28. Please provide the USPS Total Factor Productivity Index for all years that the Postal Service has data.

DMA/USPS-T9-29. Please refer to Appendix C, page 55 of the Office of Inspector General: Semiannual Report to Congress, which was filed as part of LR-H-220. The bolded TOTAL row indicates that the Office of Inspector General produced 42 reports between October 1, 1996 and March 31, 1997 and that implementation of the recommendations in these reports would reduce annual Postal Service cost by \$329,920,516. The row labeled "(i) Value of recommendations implemented by management" indicates that management implemented recommendations of 16 reports and reduced cost by \$237,293,420.

- a. Please confirm that the Postal Service's roll forward model reduces Test Year cost by \$329,920,816 to reflect implementation of all of the Office of Inspector General's recommendations referred to in the Office of Inspector General's Semiannual Report to Congress. If not confirmed:
  - 1) Please explain why the Test Year cost estimates do not include these cost reductions; and
  - 2) Please explain fully whether this means that you disagree with the Inspector General's estimates of potential savings.
- b. If sub-part a. is not confirmed, does the Postal Service's Test Year 1998 cost estimate reflect the cost savings from implementation of any of the recommendations made by the Office of the Inspector General? If "yes," please provide a list of all recommendations where the cost savings is reflected in the roll forward model for the Test Year 1998 cost estimates. For each of these recommendations, please provide (1) the report name and recommendation number, (2) the amount of the cost savings reflected in the roll forward model, and (3) a reference to the page and line number in LR-H-12 where the cost savings is shown.
- c. If sub-part a. is not confirmed, please confirm that the Postal Service's roll forward model reduces Test Year cost by \$237,293,420 to reflect the "value of recommendations implemented by management." If not confirmed:
  - 1) Please explain why the Test Year cost estimates do not include these cost reductions; and
  - 2) Please explain fully whether this means that you omitted cost savings already realized by the Postal Service.

- d. Please confirm that the Postal Service's roll forward model reduces cost for Fiscal Year 1997 and the Test Year to reflect implementation of the Inspection Service's recommendations from Fiscal Year 1996 reports. If not confirmed, does this mean that you disagreed with the Inspection Service's estimates of potential savings from the FY96 reports? Please explain fully.

**CERTIFICATE OF SERVICE**

I hereby certify that I have this date served the foregoing document upon all participants of record in this proceeding in accordance with Rule 12 (section 3001.12) of the Postal Rate Commission's Rules of Practice and Procedure and Rule 3 of the Commission's Special Rules of Practice in this proceeding.

  
Michael D. Bergman

September 3, 1997